
THE EFC FORMULA, 2002-03

What is the EFC?

The expected family contribution (EFC) is the amount a family can be expected to contribute toward a student's college costs. By comparing the EFC to the student's cost of attendance, the financial aid administrator at the school can determine the student's financial need for federal student aid from the U.S. Department of Education (the Department) and from other sources. The EFC formula is used to determine need for assistance from the following types of student financial assistance: Federal Pell Grants, subsidized Federal Direct Stafford/Ford Loans (made under the Direct Loan Program), subsidized Federal Stafford Loans (made under the Federal Family Education Loan [FFEL] Program), and assistance from the "campus-based" programs—Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Perkins Loans, and Federal Work-Study (FWS). The methodology for determining the EFC is found in Part F of Title IV of the Higher Education Act of 1965, as amended (HEA). Updated tables used in the computation of the EFC for the 2002-03 award year were published in the *Federal Register* on May 31, 2001.

Note that the financial aid administrator puts together a financial aid package that comes as close as possible to meeting a student's need. Because funds are limited, however, the amount awarded to the student may fall short of the amount of aid for which the student is eligible.

What is the source of data used in EFC calculations?

All data used to calculate a student's EFC come from the information the student provides on the Department's *Free Application for Federal Student Aid* (FAFSA). A student may submit a FAFSA (1) through the Internet by using *FAFSA on the Web*, (2) by filing an application electronically at those schools that participate in the Department's Electronic Data Exchange (EDE), or (3) by mailing a paper FAFSA. A student who applied for federal student aid in the previous award year might be eligible to apply by filing a Renewal FAFSA, either by using the paper Renewal application mailed to his or her home, or through the Internet.

Applying for federal aid is free. To be considered for nonfederal aid, such as institutional aid, however, a student may have to fill out additional forms and pay a processing fee.

Who processes the application, and how is a student notified of his or her EFC?

The Department's central processing system processes the student's FAFSA and computes the EFC, based on the information the student reported. Each student will receive a *Student Aid Report* (SAR) that reports the information from the student's application and, if the information provided was complete, the student's EFC. The student is instructed to check carefully the data on the SAR to ensure they are correct.

If corrections are necessary, students have several options for making them:

- Students can ask their schools to make electronic corrections (if the school participates in EDE).
- Students with PINs can make corrections using *FAFSA Corrections on the Web*.

- Students who receive SARs in response to their applications (paper filers) can make corrections on the SARs and return them to the address provided.
- Students who receive *SAR Information Acknowledgements* in response to their applications (*FAFSA on the Web* filers and students whose schools entered application data on their behalf), and who prefer to make paper corrections (versus working with the school or using the Web) may request a copy of the SAR from the Federal Student Aid Information Center (FSAIC) at 1-800-4FED-AID (1-800-433-3243).

Which EFC worksheet should be used?

There are three regular (full-data) formulas—(A) for the dependent student, (B) for the independent student **without** dependent(s) other than a spouse, and (C) for the independent student **with** dependent(s) other than a spouse. Also, there are three simplified versions of each formula with fewer data elements.

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Simplified Worksheet A.....	pages 13-16
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Tables C1 through C6 (use with Worksheet C).....	pages 33-35

NOTE: Do NOT complete the shaded areas in the simplified worksheets; asset information is not required in the simplified formulas.

What is the definition of an independent student?

Because the EFC formula for a dependent student uses parental data, while the two formulas for independent students do not, the first step in calculating a student's EFC must be to determine his or her dependency status. For the 2002-03 award year, a student is automatically determined to be an independent applicant for federal student aid if he or she meets one of the following criteria:

- ❖ was born before January 1, 1979;
- ❖ is a veteran of the U.S. Armed Forces (see the box on the next page);
- ❖ is working on a master's or doctorate program during the school year 2002-2003;
- ❖ is married;
- ❖ is an orphan or a ward of the court, or **was** a ward of the court until age 18; or
- ❖ has legal dependents other than a spouse (see the box on the next page).

In unusual circumstances, the financial aid administrator at the student's school may make a special-case determination of independence even if the student initially filed as a dependent student.

TERMS USED IN THE DEFINITION OF AN INDEPENDENT STUDENT

VETERAN. A student who (1) has engaged in active service in the U.S. Armed Forces (Army, Navy, Air Force, Marines, or Coast Guard), or has been a member of the National Guard or Reserves who was called to active duty for purposes other than training, or was a cadet or midshipman at one of the service academies and (2) was released under a condition other than dishonorable. A veteran is also a student who does not meet this definition now but will by June 30, 2003.

LEGAL DEPENDENT. Any child of the student who receives more than half support from the student (the child does not have to live with the student), including a biological or adopted child, or a child for whom the student is legal guardian. Also, any person, other than a spouse, who lives with the student and receives more than half of his or her support from the student and will continue to receive more than half support from the student through June 30, 2003.

Which students qualify for the simplified EFC formulas?

The criteria listed below determine which students may have their EFCs calculated by a simplified formula. Assets are not considered in the simplified EFC formulas.

For the 2002-03 award year, a **dependent** student qualifies for the simplified EFC formula if **all** of the following are true:

- (1) the student's **parents** filed or are eligible to file a 2001 IRS Form 1040A or 1040EZ* (they are not required to file a 2001 Form 1040), or the parents are not required to file any income tax return; **and**
- (2) the **student** filed or is eligible to file a 2001 IRS Form 1040A or 1040EZ* (he or she is not required to file a 2001 Form 1040), or he or she is not required to file any income tax return; **and**
- (3) the 2001 income of the student's **parents** from the two sources below is \$49,999 or less (excluding any income of the dependent student):
 - ❖ for tax filers, the parents' adjusted gross income from 2001 Form 1040A or 1040EZ* is \$49,999 or less, and
 - ❖ for non-tax filers, the income shown on the 2001 W-2 forms of both parents (plus any other earnings from work not included on the W-2s) is \$49,999 or less.

* One of the following 2001 income tax forms may be filed as an alternative to filing a Form 1040A or 1040EZ: the income tax return required by the tax code of the Commonwealth of Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or Palau.

For the 2002-03 award year, an **independent** student qualifies for the simplified EFC formula if **both** of the following are true:

- (1) the student (and the student's spouse, if any) filed or is eligible to file a 2001 IRS Form 1040A or 1040EZ* (he or she is not required to file a 2001 Form 1040), or he or she is not required to file any income tax return; **and**
- (2) the student's (and spouse's) 2001 income from the two sources below is \$49,999 or less:
 - ❖ for tax filers, the student's (and spouse's) adjusted gross income from 2001 Form 1040A or 1040EZ* is \$49,999 or less, **or**
 - ❖ for non-tax filers, the income shown on the student's (and spouse's) 2001 W-2 forms (plus any other earnings from work not included on the W-2s) is \$49,999 or less.

Which students automatically qualify for a zero EFC?

Certain students are automatically eligible for a zero EFC. For the 2002-03 award year, a **dependent student** automatically qualifies for a zero EFC if **both** of the following are true:

- (1) the student **and** parents filed or are eligible to file a 2001 IRS Form 1040A or 1040EZ (they are not required to file a 2001 Form 1040), or the student **and** parents are not required to file any income tax return; **and**
- (2) the sum of both parents' 2001 adjusted gross incomes is \$13,000* or less, or if the parents are not tax filers, the sum of their earned incomes is \$13,000 or less.

An **independent student with dependents other than a spouse** automatically qualifies for a zero EFC if **both** of the following are true:

- (1) the student (and student's spouse, if any) filed or is eligible to file a 2001 IRS Form 1040A or 1040EZ (he or she is not required to file a 2001 Form 1040), or the student (and spouse) is not required to file any income tax return; **and**
- (2) the sum of the 2001 adjusted gross income(s) of the student (and spouse) is \$13,000* or less, or if the student (and spouse) are not tax filers, the sum of their earned income(s) is \$13,000 or less.

Note that the automatic eligibility criteria for a zero EFC are not applicable to a single or married **independent student without dependents other than a spouse**.

* This amount is based on the maximum amount of income, rounded to the nearest thousand, that may be earned in order to claim the Internal Revenue Service's "maximum federal earned income credit." The maximum amount of 2001 income that may be earned in order to claim the credit, when rounded to the nearest thousand, equals \$13,000.

Why might a calculation of an EFC using these worksheets differ from the EFC reported on a student's SAR?

When it appears that an applicant has reported inconsistent data, the central processing system may make certain assumptions to resolve the inconsistency. These assumed values, which are reported on the student's SAR, are used to calculate the student's EFC. Therefore, in some cases, the EFC produced by these worksheets may differ from the EFC produced by the central processing system if the data printed on the SAR are not used.

In addition, to help reconcile worksheet calculations with those of the Central Processing System (CPS), all calculations should be carried to three decimal places and then rounded to the nearest whole numbers—upward from .500, downward from .499. Rounding should be performed so that the intermediate value that is the result of each step will not have any decimal digits.

